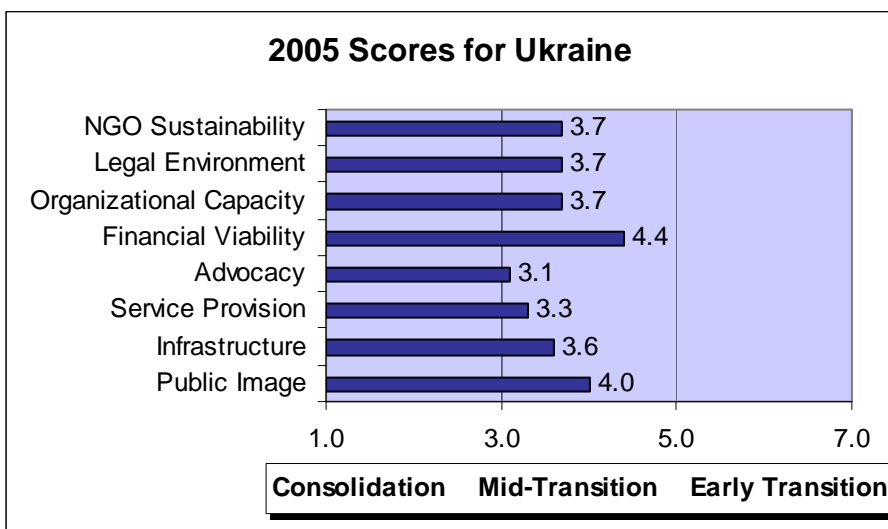


Ukraine



Capital: Kiev

Polity: Republic

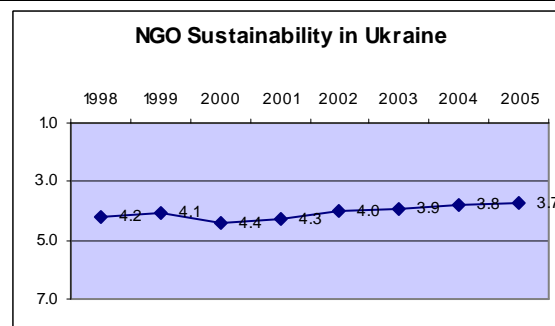
Population:
46,710,000

**GDP per capita
(PPP):** \$6,800

NGO SUSTAINABILITY: 3.7

The historic “Orange Revolution” of 2004 demonstrated an unprecedented level of civic activism in Ukraine, and NGOs played a vital role in promoting and organizing those who participated. Over the past year, the NGO sector has made tremendous progress in almost all dimensions. The Organizational Capacity, Financial Viability, Infrastructure and Public Image dimensions all made notable improvements. NGOs also demonstrated an increasingly sophisticated understanding of advocacy and engaged in numerous initiatives. The Legal Environment and Service Provision dimensions, however, have not improved due primarily to inconsistencies and poor application of the NGO laws.

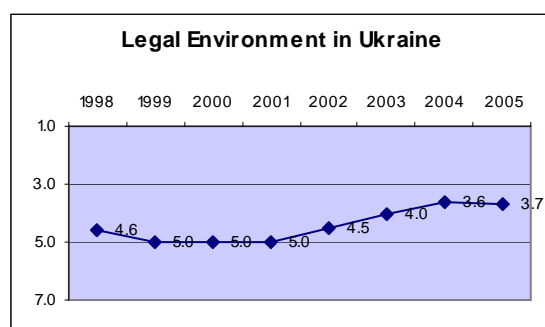
Overall, the Ukrainian third sector continued to develop rapidly. As of June 1, 2005, 2,950 organizations were registered with the Ministry of Justice, while another 31,000 were registered with the Regional authorities. Local NGOs are able to register with local authorities with relative ease, while national and international organizations are required to register with the Ministry of Justice.



The 2004 Presidential elections led to a significant consolidation of the third sector. During the pre-election period, NGOs were actively creating coalitions and successfully attracting volunteers. NGOs created coalitions and partnerships to monitor elections and promote transparency, as well as increase public awareness and develop links between citizens and government institutions. NGOs also cooperated with the political parties. The wide range of activities executed by grassroots organizations contributed significantly to the dramatic increase of citizen participation in political events in late 2004.

LEGAL ENVIRONMENT: 3.7

The NGO legal environment did not improve over the past year. In fact, inconsistencies and poor implementation of the laws caused a decrease in the Legal Environment dimension score. The government's willingness to cooperate with civil society as well as other positive political developments were offset by legislative reforms concerning taxation and social services, and the government's failure to understand the needs of NGOs. Several laws, such as the Law on Public Associations, are inconsistent with the new Civil Code, causing confusion and making it more difficult to implement the new rules.



Despite fewer administrative impediments, the process for registering NGOs continues to be complex, and many organizations remain unregistered. Though considered progressive, the 2004 Law on Registration of Legal Entities has created many issues for new NGOs. Specifically, the law requires that all NGOs register with the Ministry of Justice and the regional authorities. A system in which NGOs only register with one government institution is not yet in place. Despite these difficulties,

ORGANIZATIONAL CAPACITY: 3.7

In a sector-wide effort to increase professionalism and sustainability, numerous NGOs created governing bodies, developed strategic plans and successfully engaged volunteers. According to UCAN's NGO organizational systems study, organizational capacity generally improved, and many organizations transitioned from "beginner" to "competent" or "good."

registration for associations is now down to one month for national and international organizations, and four days for local organizations. These improvements are largely the result of NGO advocacy efforts.

The government has restored all tax benefits and incentives, and tax authorities have allowed corporations to deduct between 2-5% of their taxable income for donations to NGOs. Other incentives, such as the deduction of up to 10% of an individual's taxable income for donations to organizations that employ disabled persons, are no longer available. Similarly, NGOs are still required to pay taxes on their economic activities. Advocacy organizations are trying to influence the 2006 budget deliberations in order to have other tax incentives and benefits restored.

Though regulations for generating income remain unchanged, those that govern NGO service delivery have become more restrictive. Local tax and registration officials continue to limit the ability for NGOs to engage in economic activities. Vague laws allow officials to tax service fees and even terminate an organization's tax-exempt status. Regulations on social services remain unimproved. Government funding for procurement of social services and grant programs have yet to be implemented. Local funding for services however, has diversified and organizations have generated more income by improving their marketing strategies.



During the Orange Revolution, NGOs developed local constituencies and attracted volunteers to assist with their activities. The Committee of Voters of Ukraine for example, recruited thousands to volunteer as observers at polling stations during the Presidential elections. Following the elections, many of the most active NGO members and supporters took positions with political parties or in the government, and continue to support the third sector. While this has had a positive impact on NGO relationships with government officials, the loss of qualified professionals has had a negative impact on NGO human resources.

New employees lack experience and organizations are working to strengthen their capacity.

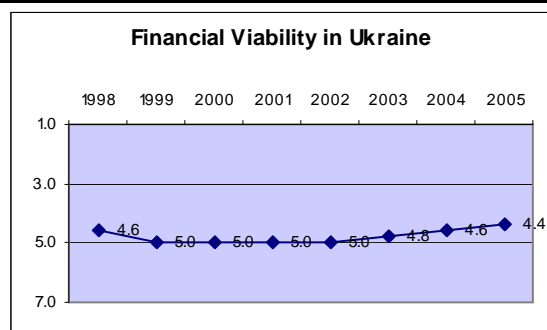
More organizations, especially those funded by international donors, engage in strategic planning, conduct audits, and are improving management capacity. The majority hold regular staff meetings, while some are promoting the leadership and independence of their staff. Numerous organizations, however, limit strategic planning to specific projects or activities; and while NGOs exercise participatory leadership, management remains concentrated in a few staff members. Many

organizations are very informal and fail to clearly define the roles and responsibilities of both their paid and volunteer staff. Few have formal administrative rules that govern their employees or organizational procedures. The UCAN project provides grants and training with the goal of promoting more productive strategic planning and outreach.

NGO governance has improved, indicating a change of attitude within the sector. Organizations are creating more boards, advisory councils, committees and directors to engage in strategic planning, financial oversight, and fundraising. In order for these developments to have a lasting impact, organizations must clearly distinguish between their governing and management bodies. Though the Civil Code and other laws define governing bodies and management structures, they are inconsistent and require additional clarification.

Organizations are generally more professional than they have been in the past. Technical resources are now more accessible, as organizations increasingly cooperate with businesses that provide them with modern equipment. Regional NGOs are now able to purchase office space using bank loans.

FINANCIAL VIABILITY: 4.4



Following the “Orange Revolution” citizens supported NGOs with money, goods, and time; local businesses’ and governments’ support of NGO activities increased as well. Local businesses sometimes seek out NGOs for their services and expertise, and domestic philanthropy has brought in several hundred million dollars of support. In UCAN’s most

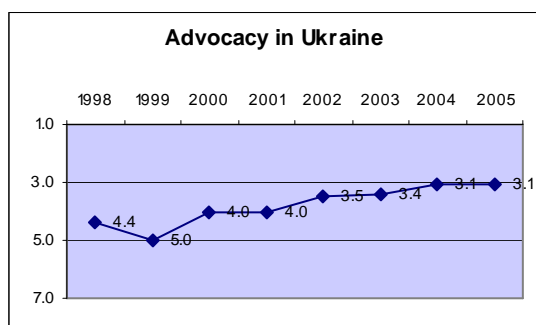
recent report on the sector’s financial viability, some NGOs reported a two-fold increase in domestic funding. Organizations are more interested in creating their own social enterprises, and increasing their membership and membership fees. In 2004, the National Tax Administration reports that the total of local donations to charitable foundations and associations was approximately \$530 million. UCAN and the Civil Society Institute, however, report that this figure does not account for volunteer contributions, in-kind donations, or the income from subsidiary organizations. They estimate that local support for NGOs could possibly be as much as \$1 billion (0.3% of the Ukrainian

GNP). The overall result has been a decrease in the sector's dependency on the international donor community.

Funding for think tanks continues to be a problem. Some are unwilling to accept government funds in order to maintain their independence, while others limit their customer base by excluding political parties or other groups. The government often employs the services of the National Academy of Sciences, which is the most prominent research and analysis organization in Ukraine. Over 88% of think tanks report that their main source of funding is the international donor community.

ADVOCACY: 3.1

NGOs created numerous coalitions during the "Orange Revolution." The citizen's initiative Znyau! (I know!), Freedom of Choice, and New Choice coalitions educated and mobilized voters. Coalition building continued at the national and local levels after the revolution. One coalition lobbied changes to the 2006 Budget to ensure the exclusion of provisions that impede business activities. Clean Elections was created in 2005 with the goal of exercising public control over the 2006 Parliamentary elections.



Despite these activities, the Advocacy dimension scores did not improve. In 2005, the President initiated efforts to ensure systemic participation in policy-making. The mid-level government administrators lack both the capacity and will to implement the President's ideas, so no real changes have occurred. Central and local governments organized public hearings, roundtables and meetings with NGOs

The sector's success in diversifying and increasing its funding has improved NGOs' strategic planning and fundraising efforts. More organizations have developed plans to allocate funds and resources for at least a year and budget separately for their upcoming fiscal year. Financial oversight is informal and conducted by NGO leaders. NGOs only conduct audits as required by donors or tax officials. NGOs seldom make their financial statements public, even to their members. Numerous organizations create subsidiary businesses that charge for their services and donate the profits to the organization. Such practices are legal and simplify the organization's reporting and financial management requirements.

and political parties to discuss draft laws and regulations, though in general, cooperation is generally unstructured and fragmented.

Organizations are increasingly able to collaborate with the national and local governments. In one example, NGOs partnered with the Ministry of Foreign Affairs to advocate for Ukraine's membership in NATO. Organizations are identifying government agencies relevant to their interests. The more developed organizations are capable of identifying key decision makers and have strong relations with deputies in Parliament. More organizations are making formal requests for information and appeals to government and lawmakers. Numerous organizations lobbied for legal reform at the local, regional, and national levels. The results include tax exemptions for donations to NGO activities, handicap access to national parks, efforts to end government corruption with regards to the development of public land, and NGO-led arbitration and justice programs in the courts. "Way Home" (Odessa) formed a coalition to advocate for a law to improve conditions for the homeless. "Boston" (Chernigiv) began as a condominium association but is now active in revising and developing local policies. "Priazovya" (Kherson Oblast) won eighty cases in court to ensure the law on land privatization is enforced properly.

Despite improvements, NGOs often do not solicit public input on issues they are addressing, taking for granted the necessity of their activities. NGOs need assistance in

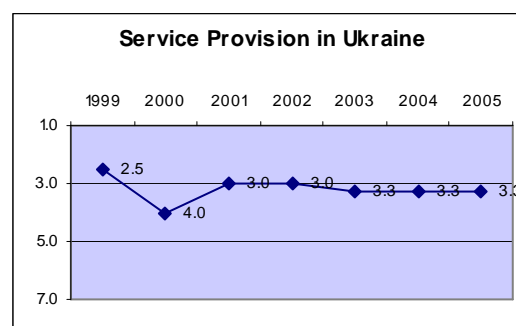
understanding the larger strategy of advocacy and the development of their activities. Many organizations continue to develop inadequate advocacy campaigns.

SERVICE PROVISION: 3.3

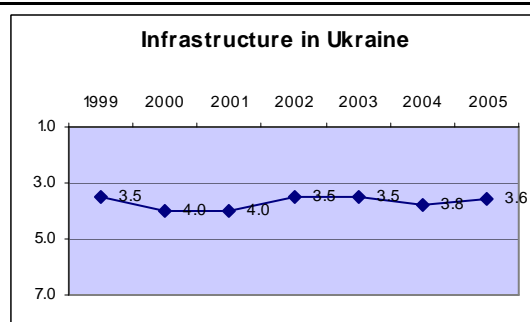
NGOs provide a wide range of services including training, a variety of consultations, legal support, advocacy, information and research, policy analysis, publications and public education. Some services are offered pro bono, while others are offered for a fee. The recipients of services are often NGO members, youth, children, pensioners, and the disabled.

Organizations advertise their services to the general public, media, and local governments about their services. Social fairs were held by NGOs in cooperation with the local governments in Chernigiv, Kherson, Sumy, and Rivne. At the fair in Rivne, thirty-five organizations demonstrated their achievements, provided services, and networked with other organizations and government officials to better address local issues. Participants in the fair received employment advice, ultrasounds, first-aid training, information on pre-natal care and early childhood development, as well as psychological and legal services. Kharkiv and other cities host internet sites with updates on civil society activities, including existing services and the organizations that offer them.

The lower score for the Service Provision dimension is a result of the legal obstacles that service providers face in registration and licensing procedures. The Law on Social Services went into effect in 2004 requiring that social services organizations be licensed, though the licensing procedures have not been created. Without guidelines, local governments are able to exclude any disfavored service provider from receiving contracts. In addition, NGO service providers may be subject to penalties for operating their businesses without the proper licensing. The procurement mechanism for accessing government funding has not achieved the level of transparency required by law.



INFRASTRUCTURE: 3.6



The need for traditional resource centers decreased with Ukraine's economic improvements, which have enabled organizations to grow and become more sustainable. Many resource centers have closed

or transformed into other organizations, though many organizations continue to provide necessary support to NGOs. Four or five formal resource centers are still in operation.

Only a few organizations offer NGO grants from domestic funding. The King George Community Foundation provides small grants with the goal of improving community life. NGO grants are more likely to come from the international donor community. The Center for Humanitarian Technologies and the Charity Foundation "Dobrota" both announced the opening of a mini-grants competition using funds from the Polish Stefan Batoria Foundation. The Charity Foundation "Dobrota" added

domestic funds to the grants as well. Local affiliations of international organizations such as the International Renaissance Foundation, Freedom House-Ukraine, and ISAR-Ednannya provide NGOs with grants regularly.

NGOs share information via the internet, mailing lists, media, and personal contacts. The Ukraine Reform Education Program (UREP), funded by USAID, serves as an informational hub for independent think tanks, allowing them to network and publish their materials. The

PUBLIC IMAGE: 4.0

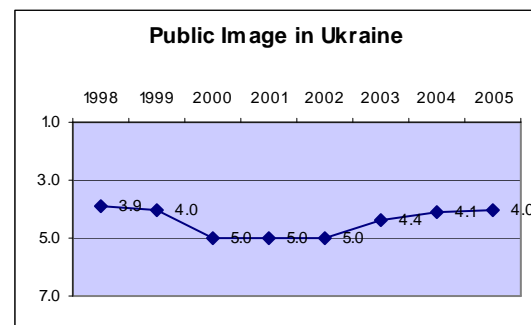
NGOs have become more media savvy with many able to write their own press releases and get media coverage for their activities. NGOs tend to be weak in establishing contacts with the media and creating new ways to reach their constituents. Mass media is not interested in detailed coverage of the NGO sector and rather focus on the sensational news. The press is more willing to cover NGOs providing results from exit polls than report on an organization's goals and activities. The UREP Program helps NGOs disseminate their messages and reach communities through its system of press clubs.

While the NGO sector's public image is improving, organizations still have work to do, especially in the eastern and southern parts of the country. The 2004 Presidential election transformed Ukrainian civil society. According to the "Public Opinion in Ukraine after the Orange Revolution" survey conducted by the International Foundation for Election Systems (IFES), 62% of voters from the north, west and central regions are of the opinion that NGOs are necessary, while only 35% of voters in the eastern and southern voters agree. Many organizations in the east and south are still unable to tailor their message to their communities or distribute materials to

website receives over 15,000 hits every month, and features the largest database of Ukrainian think tanks, with contact information, recent publications, and news.

Numerous organizations offer training programs in strategic planning, fundraising, volunteerism, governance and financial management. "NGOs in Ukraine: The State and Dynamics (2002-2004)," a survey publish by the Counterpart Creative Center, reports that 41% of Ukrainian NGOs provide training services.

members and concerned citizens. In general, organizations lack the capacity for writing documents, papers and supporting materials.



Relations between NGOs and the business community have improved. Establishing communication and cooperation between government institutions and NGOs, however, is still largely left to NGOs. Though communication is better at the local level, it is difficult for NGOs to ensure collaboration with central government institutions. Generally, cooperation between NGOs and government agencies is a result of personal connections.

As of September 2005, thirty-eight organizations had signed the declaration for ethical standards for civil society organizations, and more than 400 organizations reviewed and approved the text.